

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

**RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS SHARON DANIEL TO NDMS INTERROGATORIES
(November 14, 1997)**

The United States Postal Service hereby provides the responses of witness Sharon Daniel to the following interrogatories of NDMS, filed on November 5, 1997: NDMS/USPS-ST43-1, 2a-e(i), 2g(iv)-h(ii), 3a(i), 3b, 5 through 15, 19 and 20.

Each interrogatory is stated verbatim and is followed by the response.

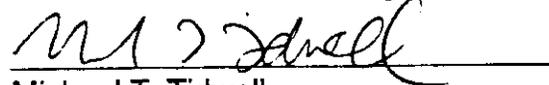
Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 14, 1997

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NDMS/USPS-ST43-1.

In his revised reply to NDMS/USPS-T32-1, witness Fronk describes you as 'the analyst with principal responsibility for the library reference [H-112].' In response to NDMS/USPS-T29-1, you were asked "[d]id you prepare, or participate in any way in the preparation of, LR-H-112," and you responded "[y]es, among others."

- a. Were you the "analyst with principal responsibility" for Library Reference USPS LR-H-112? If not, please describe your role.
- b. Who were the "others" to whom you refer?
- c. At any time prior to completion of the study in LR-H-112, did you ever communicate to your superiors any doubt about the costing methodology employed in USPS LR-H-112?
- d. Did you at any time decline to sponsor USPS LR-H-112, or decline to testify concerning USPS LR-H-112?
- e. Prior to or at the time when you "arranged for copies of the library reference to be . . . included in the filing" (NDMS/USPS-T29-1) did you have any reservations about the data, methodology, or text of the library reference? If so, please identify all such reservations.
- f. Did you write the narrative contained at pages 1-2 of USPS LR-H-112?
- g. At the time you prepared LR-H-112, were you aware that the volume data which were used to weight the cost data were from 1972?
- h. Did you read the Commission's *Opinion and Recommended Decision* in Docket No. R78-1 prior to the date the library reference was filed, July 10, 1997?
- i. Please identify all reasons why you did not simply sponsor USPS LR-H-112, but rather chose to submit supplemental testimony which differs from that library reference as originally filed and as revised by interrogatory responses to NDMS/USPS-T32-2e?

RESPONSE:

- a. Yes.
- b. "Others" referred to other library references not other people.
- c. No.
- d. No.
- e. No.
- f. It was written under my supervision.
- g. No.
- h. No.

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i. Had these new data been known to me when I prepared LR-H-112, they would have been incorporated into it. Accordingly, it made sense to incorporate known changes to LR-H-112 data into USPS-ST-43, otherwise I would have been in the odd position of adopting as my testimony data I knew to be superseded.

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NDMS/USPS-ST43-2.

Please refer to Exhibit USPS-43C (Nonstandard Surcharge Costs Using New Volume Shares). The source of the new data identifying volume and percent of nonstandard pieces by shape is stated to be "witness Fronk in response to NDMS/USPS-T32-29 (September 9, 1997)." See USPS-ST-43, p. 1, n. 1.

- a. Do you believe that these new data are accurate?
- b. If you have questions about their accuracy, do you plan any update to your testimony with accurate (or more accurate) data?
- c. Please confirm that your adopted response to NDMS/USPS-T32-29 (September 9, 1997) states that there were **24.9 million First-Class nonstandard single piece parcels**, and **27.2 million total First-Class nonstandard parcels** in Base Year 1996, and that these data were based on domestic RPW data.
- d.
 - (i) Please confirm that the Postal Service's response to NDMS/USPS-T32-45 (September 26, 1997) states that there were **41.4 million total First-Class nonstandard parcels** during Base Year 1996, based on domestic RPW data.
 - (ii) Please explain why you did not adopt the Postal Service's response to NDMS/USPS-T32-45 when you adopted other related responses (September 30, 1997).
 - (iii) Will you adopt the Postal Service's response to NDMS/USPS-T32-45 at this time? If not, will any other witness in this case explain the basis of, and vouch for the accuracy of, the response to NDMS/USPS-T32-45?
- e. The Postal Service's response to NDMS/USPS-T32-45 (September 26, 1997) attempts to explain the difference between the volumes of First-Class nonstandard one-ounce parcels which you utilized in your testimony, and those which it then reported to NDMS by saying that "the difference may be due to postal personnel not recognizing a piece as nonstandard during acceptance or data collection. The response said that it may also be due to a shape misclassification on a mailing statement that is not caught during acceptance. Since the First-Class parcel data are relatively 'thin,' the impact of any possible misclassification is magnified in the data."
 - (i) Do you agree with this rationale for the difference?
 - (ii) What Postal Service statistical data collection systems are employed in collecting the data reported in the two volume estimates?
 - (iii) How many First-Class single-piece parcels would you expect to be entered on, or in conjunction with, a mailing statement? What other single-piece First-Class Mail is entered on a mailing statement?
 - (iv) Which estimate is more accurate? Please explain your answer.
 - (v) How does the inability of postal personnel to identify a piece properly as nonstandard during acceptance or data collection affect each of the two volume figures?
 - (vi) If errors by trained postal personnel can create a 45 percent swing in volume data, how much confidence is it appropriate to have in the data? Please explain your answer.

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- (vii) Please provide instructions or definitions identifying which mail pieces are to be reported on the Domestic RPW data as single-piece First-Class nonstandard pieces. Have these instructions/definitions changed since the data were first collected?
- (viii) How could minor errors be magnified by thinness of the data?
- f. Your adopted response to NDMS/USPS-2 states that the 1996 volume First-Class single-piece nonstandard parcels was **36.0 million**. Please reconcile this estimate with other estimates of 41.4 million (provided by the Postal Service) and 27.2 million (which you adopted).
- g. The Postal Service's response to NDMS/USPS-T32-44 states that the First-Class nonstandard parcel volumes for 1994 and 1995 were **14.3 million** and **17.0 million**, respectively.
 - (i) Do these data refer to single piece volume or both single piece, presort, and carrier route volume?
 - (ii) Please explain the jump in volume of First-Class nonstandard parcels from 1994/1995 to base year 1996.
 - (iii) Does this increase lead you to question the accuracy or reliability of your data?
 - (iv) Please explain why you did not adopt the Postal Service's response to NDMS/USPS-T32-44 when you adopted other related responses (September 30, 1997).
 - (v) Will you adopt the Postal Service's response to NDMS/USPS-T32-44 at this time? If not, will any other witness in this case explain the basis of, or vouch for the accuracy of, the response to NDMS/USPS-T32-44?
- h.
 - (i) Please explain why you did not adopt the Postal Service's response to NDMS/USPS-T32-47 when you adopted other related responses (September 30, 1997).
 - (ii) Will you adopt the Postal Service's response to NDMS/USPS-T32-47 at this time? If not, will any other witness in this case explain the basis of, or vouch for the accuracy of, the response to NDMS/USPS-T32-44?

RESPONSE:

- a. Yes. These are the data that we have. As the response indicates, the shape distribution is approximate. There is, however, a misstatement of the source in the testimony. The Postal Service, not witness Fronk, originally provided the answer.
- b. N/A.
- c. Confirmed as to the bolded numbers. Not confirmed as to the source. Presort and carrier route data are from the mailing statement data; single-piece is from domestic RPW.

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- d. (i) Not confirmed. The response states that domestic RPW was used for single-piece. Mailing statement data was used for presort.
- (ii) I do not have first hand knowledge of volume estimates.
- (iii) No. The Postal Service will continue to provide institutional responses.
- e. (i) I have no basis for disagreeing.
- e.(ii)-g.(iii) Redirected to the Postal Service.
- g. (iv) I do not have first hand knowledge of volume estimates.
- (v) No. The Postal Service will continue to provide institutional responses.
- h. (i) I do not have first hand knowledge of volume estimates.
- (ii) No. The Postal Service will continue to provide institutional responses.

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NDMS/USPS-ST43-3.

- a. Exhibit USPS-43C (Nonstandard Surcharge Costs Using New Volume Shares) identifies the 1996 volume of First-Class flats weighing one ounce or less as 282.4 million. The Postal Service's response to NDMS/USPS-T32-47 stated that the 1996 volume of First-Class nonstandard flats was 358.3 million. The explanation for the discrepancy was the same explanation given in response to NDMS/USPS-T32-45.
- (i) Do you agree with this rationale for the difference?
 - (ii) What Postal Service statistical data collection systems are employed in collecting the data reported in the two volume estimates?
 - (iii) How many First-Class single-piece flats would you expect to be entered on, or in conjunction with, a mailing statement?
 - (iv) Which estimate is more accurate? Please explain your answer.
 - (v) How does the inability of postal personnel to identify a piece properly as nonstandard during acceptance or data collection affect each of the two volume figures?
 - (vi) If errors by trained postal personnel can create a 27 percent swing in volume data, how much confidence is it appropriate to have in the data? Please explain your answer.
- b. Why did you change the average mail processing unit costs which you report in your testimony (from the average mail processing unit costs reported in LR-H-112 when the case was filed in July) but not the volume and percent of nonstandard pieces by shape (to reflect your response to NDMS/USPS-2)?

RESPONSE:

- a.(i) I have no basis for disagreeing.
- a.(ii)-(vi) Redirected to the Postal Service.
- b. The mail processing unit cost error was detected as a result of NDMS/USPS-T32-2e filed on August 1, 1997 and the library reference was revised on August 18, 1997. The error corrected in NDMS/USPS-2 on September 26 had to do with the percent of parcels weighing one ounce or less. This figure is not directly used in the nonstandard surcharge cost analysis. When my supplemental testimony was filed on September 29, it did contain an analysis using the new percent shares of nonstandard volume by shape in Exhibit USPS-ST43C.

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NDMS/USPS-ST43-5.

In Docket Nos. MC73-1 and R78-1, the Commission gave the following explanation for its decision to impose a nonstandard surcharge on letter mail with certain aspect ratios or thickness above 0.25":

The essence of our determination to classify poor aspect ratio letters as nonstandard in Docket No. MC73-1 was not founded upon the fact that poor aspect ratio letters are manually processed - as the Postal Service predicates its analysis upon - but instead because poor aspect ratio letters cause excessive mail processing. [PRC Op. MC73-1, p. 28.] It is these additional mail processing costs upon which the Postal Service should primarily have focused in order to develop the unit cost differential between standard and nonstandard letters. The difference in unit costs between manual and mechanical processing letters would then serve as an upper limit of the additional unit cost of processing nonstandard letters. This is because when the additional unit costs incurred as a result of mechanical mail processing of nonstandard letters exceed the unit cost differential between mechanical and manual processing, the Postal Service would stop processing nonstandard letters mechanically and process them manually. [Op. & Rec. Dec., Docket No. R78-1, p. 35.]

Why does your testimony utilize the unit mail processing cost differential between manually processed First-Class letters and average First-Class letters to calculate the additional costs of handling nonstandard letters, in light of the Commission's rationale for imposing the surcharge on nonstandard letters as articulated in Docket No. R78-1?

RESPONSE:

I updated the way it was done in Docket No. R90-1; which provided the results recommended by the Commission.

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NDMS/USPS-ST43-6.

In Docket No. R78-1, the Postal Service defined the mail pieces to be subject to the nonstandard surcharge as follows: Flats were defined as mail pieces which "were not machineable [sic] on mechanized letter processing equipment" and were of a dimension larger than 11.5" x 6.25", but smaller than 24.5" x 13.3". It was noted that flats are processed in manual flat distribution cases. SPRs were defined as mail pieces which were "not machineable [sic] on mechanized letter processing equipment and of a size and shape which is too unwieldy to distribute on manual letter or flat cases. SPRs are normally processed over a pouch rack directly into sacks and pouches." Docket No. R78-1, USPS-T-1, pp. 4-5.

- a. Are all nonstandard First-Class flats manually processed?
- b. Are all nonstandard First-Class parcels manually processed? Can any nonstandard First-Class parcels fit in letter or flat cases?
- c. Please explain how changes in the Postal Service's processing and delivery of mail since 1978 have affected the assumptions underlying the First-Class nonstandard surcharge.
- d. Are the terms parcels and SPRs interchangeable? Please explain any difference.

RESPONSE:

- a. Not all nonstandard First-Class flats are manually processed. According to the response to NDMS/USPS-T32-18, some flats weighing less than 1 ounce may be processed on the FSMs if they meet all other machinability requirements such as rigidity.
- b. All nonstandard First-Class parcels (weighing less than one ounce) should be processed manually since the minimum weight for the SPBS is 4 ounces. Some nonstandard First-Class parcels may fit in letter or flat cases.
- c. The first of the FSMs, the FSM 775, was deployed in 1982. The FSM 881 was deployed in the late 1980's and the SPBS was deployed in early 1990. LSMs are currently being phased out. Thus, for machinable nonstandard flats, processing may have become slightly more mechanized. Nonstandard letters are becoming completely manually sorted, but standard letters are virtually completely automated with much lower costs thus widening the differential. Nonstandard parcels are still manually sorted. The move to mechanization of flats was reflected in LR-F-160 and the phasing out of LSMs and increase in automated processing of standard letters is reflected in the

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current analysis. I assume no significant changes have been made in the delivery of nonstandard pieces, but currently additional costs due to nonstandard pieces are not included in the surcharge cost analysis.

d. SPR stands for small parcels and rolls. Basically the term is used to describe small parcels and is not necessarily interchangeable with parcels. A big parcel is a parcel but not an SPR.

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NDMS/USPS-ST43-7.

Your testimony states that the mail processing cost of the average First-Class single-piece manually processed letter, which you use as a proxy for First-Class nonstandard letters, is 20.54 cents. (Exhibit USPS-43C.)

- a. Please confirm that, without application of a First-Class nonstandard surcharge, the average First-Class single-piece manually processed letter currently generates revenue of 32 cents. If you do not confirm, please explain.
- b. Please confirm that the average First-Class single-piece manually processed letter generates substantially more revenue than costs. If you do not confirm, please explain.

RESPONSE

- a. Not confirmed. The average manually processed First-Class single-piece letter does not necessarily always weigh less than an ounce. Some proportion may pay the additional ounce rate.
- b. Not confirmed. 20.54 is mail processing cost only. These letters also incur delivery, transportation, and other costs. The total of which may be higher than 32 cents.

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NDMS/USPS-ST43-8.

Your testimony states that the mail processing cost of the average First-Class single-piece flat is 32.43 cents. (Exhibit USPS-43C.)

- a. Please confirm that the average First-Class single-piece flat weighs 3.3 ounces. If you do not confirm, please explain.
- b. Please confirm that, without application of a First-Class nonstandard surcharge, a First-Class single-piece flat that weighs 3.3 ounces currently generates revenue of \$1.01. If you do not confirm, please explain.
- c. Please confirm that a First-Class single-piece flat that weighs 3.3 ounces generates substantially more revenue than costs. If you do not confirm, please explain.
- d. Please confirm that there is no evidence that the attributable costs of the average under-one-ounce First-Class single-piece flat are more than 32 cents. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Not confirmed. 32.43 is mail processing cost only of an average First-Class single piece flat. These flats also incur delivery, transportation, and other costs. We would expect revenue to exceed volume variable costs, but we can't quantify by how much or to characterize what is considered substantial.
- d. Although there is no evidence to prove that the volume variable costs of the average under-one-ounce First-Class single-piece flat are more than 32 cents, there is also no evidence that it is less than 32 cents. Light weight flats may be more expensive to process than heavier flats as explained in the response to NDMS/USPS-T32-51. Costs by ounce increment are not available, but the total attributable costs will be higher than mail processing costs alone.

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NDMS/USPS-ST43-9.

Your testimony states that the mail processing cost of the average First-Class single-piece parcel is 74.08 cents. (Exhibit USPS-43C.)

- a. Please confirm that the average First-Class single-piece parcel weighs 4.3 ounces. If you do not confirm, please explain.
- b. Please confirm that, without application of a First-Class nonstandard surcharge, a First-Class single-piece parcel that weighs 4.3 ounces currently generates revenue of \$1.24. If you do not confirm, please explain.
- c. Please confirm that a First-Class single-piece parcel that weighs 4.3 ounces generates substantially more revenue than costs. If you do not confirm, please explain.
- d. Please confirm that there is no evidence that the attributable costs of the average under-one-ounce First-Class single-piece parcel are more than 32 cents. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Not confirmed. 74.08 is mail processing cost only of an average First-Class single piece parcel. These parcels also incur delivery, transportation, and other costs. We would expect revenue to exceed volume variable costs, but we can't quantify by how much or to characterize what is considered substantial.
- d. Although there is no evidence to prove that the volume variable costs of the average under-one-ounce First-Class single-piece parcel are more than 32 cents, there is also no evidence that it is less than 32 cents. Weight itself is not necessarily an important cost driver for parcels weighing less than one pound as explained by witness Crum in his response to PSA/USPS-T28-5¹ and generally in his oral cross examination by NDMS (transcript Volume 5 page 2369-2370.) Costs by ounce increment are not available, but the total attributable costs will be higher than mail processing costs alone.

¹ Although witness Crum's responses pertains to Standard (A) parcels weighing less than 16 ounces, the same argument applies to First-Class parcels weighing less than 11 ounces. The transcript cite is in the context of machinability, but the interplay of weight and machinability is also discussed.

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NDMS/USPS-ST43-10.

Exhibit USPS-43A cites LR-F-160, Docket No. R90-1 as the source for the percentage of nonstandard pieces by shape. Exhibit USPS-43C provides "new volume shares" drawn from the response to NDMS/USPS-T32-29. What factors explain the following changes in the mix of nonstandard mail:

- a. First-Class **nonstandard letters** dropped from 58 percent (USPS-43A) to 19.3 percent (USPS-43C);
- b. First-Class **flats** rose from 39 percent (USPS-43A) to 73.1 percent (USPS-43C);
- c. First-Class **parcels** rose from 3 percent (USPS-43A) to 7.6 percent (USPS-43C)?

RESPONSE:

- a-c. The percent shares in Docket No. R90-1 came from a special study conducted in 1972 which was presumably designed to capture a snapshot of the mail mix at the time. The new volume shares are from an on-going, year round, statistical data system. The differences may reflect the change in data collection methodology or it may be solely a reflection in a change in mail mix practices since 1972.

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NDMS/USPS-ST43-11.

- a. Please explain the statement in your testimony, at page 3, that "using the methodology presented in USPS-LR-H-106, it is not possible to determine the cost of processing a one-ounce letter-shaped nonstandard piece."
- b. What is the average weight of a manually-processed First-Class letter with an average cost of \$0.2054?
- c. Does a three-ounce First-Class **letter** cost more to process than a one-ounce First-Class letter? Please explain your answer.
- d. Does a three-ounce First-Class **flat** cost more to process than a one-ounce First-Class flat? Please explain your answer.
- e. Does a three-ounce First-Class **parcel** cost more to process than a one-ounce First-Class parcel? Please explain your answer.

RESPONSE:

- a. It may be possible to determine the processing cost of an average letter-shaped piece weighing one ounce or less using the methodology presented in USPS LR-H-106, but because IOCS does not record whether the piece is standard or nonstandard, it would not be possible to determine the cost of just nonstandard letter-shaped pieces.
- b. It is the same as the average weight of a First-Class single piece letter, 0.5 ounce.
- c. Probably. Please see response to MMA/USPS-T23-2.
- d. Not necessarily. Please see response to NDMS/USPS-T32-51.
- e. Not necessarily. Both parcels would be processed manually. The impact of weight between one and three ounces could be relatively small. In contrast, the cube of the parcel is more likely to be a large driver of processing costs. See response to NDMS/USPS-ST43-9.

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NDMS/USPS-ST43-12.

You state at page 3 of your testimony that calculation of "mail processing costs by ounce increment and shape for First-Class Mail has not been conducted using the methodology presented in USPS-LR-H-106 and the reliability of those individual estimates has not been determined."

- a. Would calculation of mail processing costs for a one-ounce First-Class flat, using the methodology presented in USPS-LR-H-106, be likely to result in a more accurate estimate of the actual costs incurred by the Postal Service in handling a nonstandard First-Class flat than the calculation of the mail processing costs incurred by an average, 3.3 ounce First-Class flat which you use in your testimony? Please explain your answer.
- b. Would calculation of mail processing costs for a one-ounce First-Class parcel, using the methodology presented in USPS-LR-H-106, be likely to result in a more accurate estimate of the actual costs incurred by the Postal Service in handling a nonstandard First-Class flat than the calculation of the mail processing costs incurred by an average, 4.3 ounce First-Class parcel which you use in your testimony? Please explain your answer.

RESPONSE:

- a-b. Using the methodology presented in USPS LR-H-106 for the calculation of mail processing costs for a one-ounce First-Class parcel and flat to estimate costs incurred by the Postal Service in handling a nonstandard First-Class parcel or flat is a possibly valid approach, but I haven't studied its virtues or limitations.

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NDMS/USPS-ST43-13.

How much does it cost for the Postal Service to administer, enforce, and collect the First-Class nonstandard surcharge, including the following: (i) advertise the First-Class nonstandard surcharge to the mailing public; (ii) monitor nonstandard First-Class mail pieces and identify such mail pieces for insufficient postage; (iii) collect underpaid postage from addressees; (iv) develop the volumes and percentages of one-ounce First-Class mail pieces by shape; (v) develop studies and testimony in support of the First-Class nonstandard surcharge; and (vi) any other costs associated with the First-Class nonstandard surcharge?

RESPONSE:

It is my understanding that information is not available at this level of detail.

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NDMS/USPS-ST43-14.

- a. At page 2 of your supplemental testimony, lines 6-7, you state that "all flats and parcels are assumed to be nonstandard." Would it be equally correct, or perhaps more correct, to say that "all flats and parcels are assumed to be nonstandard, even though less than 10 percent of all flats and all parcels weigh less than one ounce?" If you disagree, please explain why.
- b. At p. 2 of your supplemental testimony, line 6, you state that manual letters are assumed to be nonstandard. Witness Modem [sic], in his response to NDMS/USPS-T32-21 (redirected from Witness Fronk) stated that letters which would routinely receive manual processing include nonmachinable letters, remote barcoding system rejects, letters destined for zones with fewer than five carriers and letters that originate and/or destinate in the same nonautomated facility.
 - (i) Do you believe that all, most, many, or some manually processed letters are nonstandard? Please explain your answer.
 - (ii) Does the Postal Service have data on the volume of letters processed manually during Base Year 1996? If so, please provide.

RESPONSE:

- a. It would be correct to say that all one ounce flats and parcels are nonstandard.
- b. (i) At least some, but not all, manually processed letter are nonstandard. All nonstandard letters, however, are processed manually.
 - (ii) No.

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NDMS/USPS-ST43-15.

- a. When you undertook the cost study in LR-H-112, now incorporated in USPS-ST-43, how much consideration did you give to the possibility of a new study, using a different methodology, to ascertain the cost of nonstandard First-Class pieces?
- b. Since the methodology that underlies the study in LR-H-112 does not purport to measure the cost of handling letters, flats or parcels that weigh less than 1 ounce, what kind of study could be undertaken? In your response, please discuss the possibility of using any methodology of which you are aware (including the use of any existing data or the collection of new data), including but not limited to mail flow models, statistical studies (including the data in LR-H-106), computer simulation studies, time and motion studies, etc.

RESPONSE:

- a. None.
- b. Controlling for the effects of weight in mail processing is difficult in any kind of study. As mentioned in USPS-ST-43 supplemental testimony, using the LR-H-106 methodology is a possibility, but I haven't studied all of its virtues or limitations.

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INTERROGATORIES OF NASHUA PHOTO INC., DISTRICT PHOTO INC.,
MYSTIC COLOR LAB, AND SEATTLE FILMWORKS, INC. (NDMS)**

NDMS/USPS-ST43-19.

During cross-examination, witness Fronk was asked how the cost of handling an average weight parcel of 4.3 ounces was representative of a parcel that weighs under one ounce. He stated "In and of itself I don't know that this particular number would be representative of a one-ounce parcel, but I believe there's a subtraction that takes place from a manual piece that more implicitly gets out a one-ounce parcel."

- a. Do you agree with his observation? Please explain how a subtraction of the manual letter mail processing costs causes the use of the cost of processing a 4.3 ounce parcel to be more representative of the cost of processing an under 1.0 ounce parcel.
- b. Do you believe the average mail processing unit cost of a 3.3 ounce flat is more than the average mail processing unit cost of an under 1.0 ounce flat? If so, how much more? Whether you agree or not, please explain the reasons for your conclusion.
- c. Do you believe the average mail processing unit cost of a 4.3 ounce parcel is more than the average mail processing unit cost of an under 1.0 ounce parcel? If so, how much more? Whether you agree or not, please explain the reasons for your conclusion.

RESPONSE:

- a. A better way to explain it might be that the average cost of a letter which is subtracted from the cost of nonstandard pieces (manual letters, flats and parcels) also includes the cost of letters over one ounce; however, the majority of letters are under one ounce so this is not likely to have a significant impact. In actuality, there is no evidence that a 4.3 ounce parcel would necessarily cost more than a one ounce parcel.
- b. Not necessarily. Please see response to NDMS/USPS-T32-51.
- c. Not necessarily. In fact, the mail processing cost is potentially less since a 4.3 ounce parcel is machinable on an SPBS but a parcel under 1.0 ounce is not. Please see responses to NDMS/USPS-ST43-6b and 9.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO
INTERROGATORIES OF NASHUA PHOTO INC., DISTRICT PHOTO INC.,
MYSTIC COLOR LAB, AND SEATTLE FILMWORKS, INC. (NDMS)**

NDMS/USPS-ST43-20.

- a. Please confirm that, in LR-F-160, the average cost of a First-Class standard letter was 5.32 cents. If you do not confirm, please provide the correct number and the supporting calculations.
- b. Please confirm that, in LR-F-160, the average cost of a First-Class manually processed letter was 16.54 cents. If you do not confirm, please provide the correct number and the supporting calculations.
- c. Please confirm that, in LR-F-160, the cost of an average-weight First-Class flat was 15.79 cents. If you do not confirm, please provide the correct number and the supporting calculations.
- d. Please confirm that, in LR-F-160, the cost of an average-weight parcel was 19.21 cents. If you do not confirm, please provide the correct number and the supporting calculations.
- e. Please explain why the calculated mail processing cost of a flat that you use in your testimony is more than twice the corresponding cost developed in LR-F-160.
- f. Please explain why the calculated mail processing cost of a parcel that you use in your testimony is almost four times the corresponding cost developed in LR-F-160.

RESPONSE:

- a-d. These are the average modeled mail processing costs contained in LR-F-160.
- e-f. The mail processing costs of letters and flats are both at least twice the cost developed in LR-F-160 partially because the current methodology reflect the entire CRA mail processing costs and not just "modeled" costs. An increase in wage rates would also tend to increase mail processing costs. These reasons would also help explain the increase in parcel costs.

DECLARATION

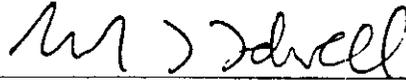
I, Sharon Daniel, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


SHARON DANIEL

Dated: Nov. 14, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1145
November 14, 1997